20. For all the foregoing reasons, I find the conclusion inescapable that BA-GTE has only tinkered with the board structure of Genuity and changed nothing significantly. Genuity remains under the control of BA-GTE because (i) its board is effectively confined to re-arranging the deck chairs on a vessel captained by BA-GTE's designated officers and chief executive; (2) its business future is contractually constrained by the Marketing Agreement and by the inability of other possible business partners to view Genuity as an independent entity, and (3) the looming shadow of BA-GTE's conversion right coupled with the inability of any person to acquire more than 20% of Genuity's Class A shares renders Genuity the economic captive of BA-GTE.

I declare under the penalty of perjury that the foregoing is true and correct.

John C Coffee Jr

John C. Coffee, Jr.

Executed on April 5, 2000.

APPENDIX 1

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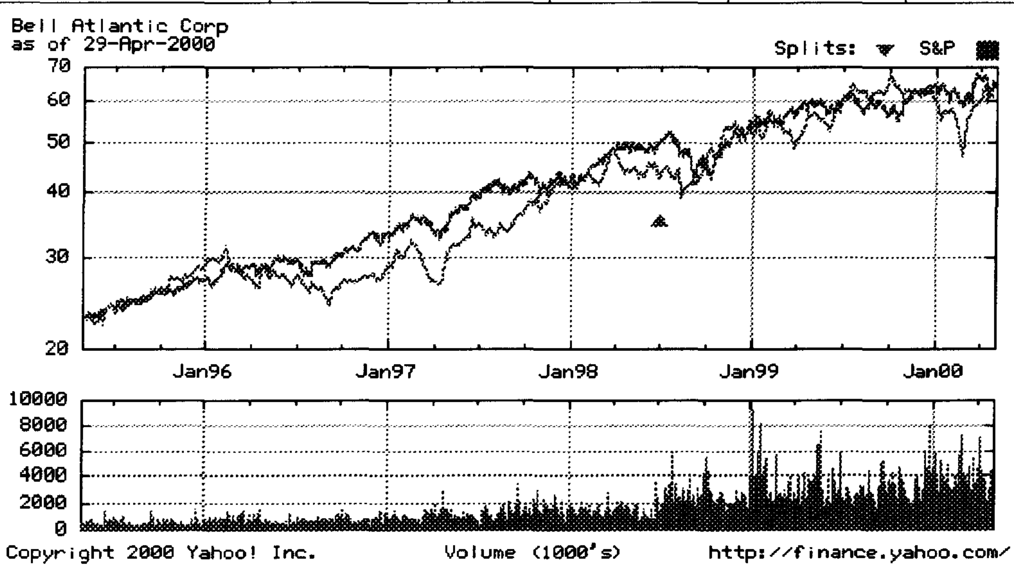
Fri May 5 11:19am ET - U.S. Markets close in 4 hours 42 minutes.

BELL ATLANTIC (NYSE:BEL) - More Info: News , SEC , Msgs , Profile , Research , Insider

Last Trade	Change		Prev Cls	Volume	Div Date
10:59AM · **54 1/16**	+1/4 (+0.46%)		53 13/16	736,400	May 1
Day's Range	Bid	Ask	Open	Avg Vol	Ex-Div
53 1/2 - 54 3/16	N/A	N/A	53 9/16	3,636,363	Apr 6
52-week Range	Earn/Shr	P/E	Mkt Cap	Div/Shr	Yield
47 3/8 - 69 1/2	2.40	22.42	83.832B	1.54	2.86



Splits: 18-Apr-86 [2:1], 2-May-90 [2:1], 30-Jun-98 [2:1]

Small: [1 day | 5 day | 1 year | none] Type: Basic
Big: [1 day | 5 day | 3 month | 1 year | 2 year | **5 year** | max] **vs S&P 500**
Table: [daily | weekly | monthly | dividends] Moving Avg

Quotes delayed 15 minutes for Nasdaq, 20 minutes otherwise.

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Fri	May 5	BEL	NYC 'Readings in the Parks' Program Takes Children For a Walk Down Literary Lane - *PR Newswire*
Wed	May 3	BEL	Bell Atlantic Consumer Alert: AT&T Spreads Deception in Virginia - *PR Newswire*
Wed	May 3	BEL	Investor Broadcast Network to be Exclusive Streaming Partner for Investor Relations Online Conference - *Business Wire*
Wed	May 3	BEL	[external] Tech stocks may continue retreat - *at UpsideToday*
Tue	May 2	BEL	[$$ - free trial] webMethods Beats First-Quarter Earnings Estimates - *at TheStreet.com*

All headlines for: BEL

APPENDIX 2

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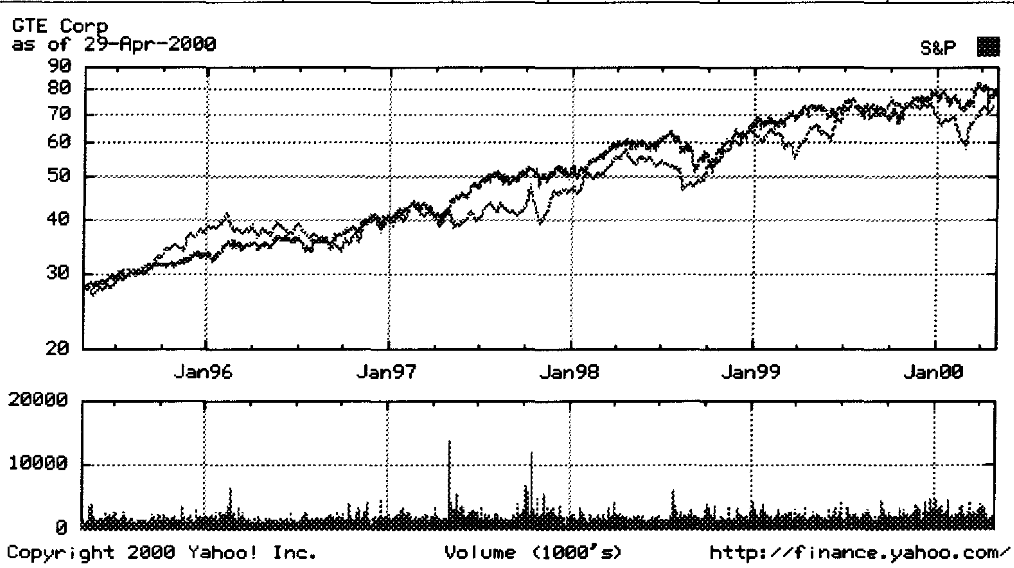
Fri May 5 11:19am ET - U.S. Markets close in 4 hours 42 minutes.

GTE CORP (NYSE:GTE) - More Info: News , SEC , Msgs , Profile , Research , Insider

Last Trade	Change		Prev Cls	Volume	Div Date
10:58AM · **64 7/16**	+7/16 (+0.68%)		64	505,500	Jul 1
Day's Range	Bid	Ask	Open	Avg Vol	Ex-Div
63 5/8 - 64 3/4	N/A	N/A	64 1/16	2,067,545	May 18
52-week Range	Earn/Shr	P/E	Mkt Cap	Div/Shr	Yield
55 13/16 - 78 1/2	4.06	15.76	61.866B	1.88	2.94



Splits: 13-Feb-87 [3:2], 25-Jun-90 [2:1]

Small: [1 day | 5 day | 1 year | none] Type: Basic
Big: [1 day | 5 day | 3 month | 1 year | 2 year | **5 year** | max] **vs S&P 500**
Table: [daily | weekly | monthly | dividends] Moving Avg

Quotes delayed 15 minutes for Nasdaq, 20 minutes otherwise.

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Recent News

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Fri	May 5	GTE	GTE Corporation Selects Omnicare for Pilot Programs to Improve Drug Care for Retirees - *PR Newswire*
Thu	May 4	GTE	UPDATE 3-Venezuela's CANTV Q1 2000 profits plunge - *Reuters Securities*
Thu	May 4	GTE	GTE launches PCS service in Buenos Aires, making CTI the first to provide country-wide service in Argentina. - *Business Wire*
Tue	May 2	GTE	[external] Microsoft, AT&T sink Dow and Nasdaq - *at UpsideToday*
Mon	May 1	GTE	[external] Excite@Home asks Pac Bell to can DSL ads - *at CNET News.Com*

All headlines for: GTE

Questions or Comments?

EXHIBIT B

Before the
Federal Communications Commission
Washington, DC 20554

In the Matter	)	
	)	
GTE CORP.	)	
	)	
Transferor,	)	
	)	
and	)	**CC Docket No. 98-184**
	)	
BELL ATLANTIC CORP.	)	
	)	
Transferee,	)	
	)	
For Consent to Transfer of Control	)	

DECLARATION OF DR. RICHARD N. CLARKE

1. My name is Richard N. Clarke. I am a Division Manager in AT&T's Law and Government Affairs Division responsible for developing AT&T's telecommunications public policy with respect to economic issues. I am familiar with financial theory, the economics of option values and provisions of the Telecommunications Act and the Commission's rules dealing with Section 271 requirements. I have a Bachelor's degree in mathematics and economics from the University of Michigan, and Master's and Doctoral degrees in economics from Harvard. Prior to joining AT&T with Bell Labs in 1986, I was an Assistant Professor of Economics at the University of Wisconsin-Madison, and worked as an economist with the Antitrust Division of the U.S. Department of Justice.

2. In its April 28 filing, Bell Atlantic and GTE ("BA-GTE") proposes to modify the character of the several equity instruments that it would issue to the public and retain for itself that represent ownership of GTE-Internetworking's assets (now called "Genuity"). I have been asked to determine the economic value that the market likely would place on these equity instruments. As I describe below, market valuations are likely to be such that BA-GTE will continue to retain an equity interest in Genuity well in excess of the 10% level

permitted by the Telecommunications Act. Indeed, BA-GTE will continue to retain an equity interest in Genuity that is nearly identical to the approximate 80% interest that BA-GTE would have held under its prior proposal.

3. Under its earlier proposal, BA-GTE would hold Class B shares in Genuity that would initially represent a putative 10% of the voting and distribution rights in Genuity, and the public would hold Class A shares representing the residual 90% of Genuity's voting and distribution rights. However, BA-GTE reserved to it the right to convert its Class B shares (at no additional cost) into Class A shares that would amount to 80% of all outstanding Genuity shares. Further, BA-GTE imposed on Genuity a collection of "Investor Safeguards" that ensured that no initial Class A shareholders could get access to Genuity's economic returns until BA-GTE (or a subsequent purchaser of BA-GTE's interests) converted its Class B shares and reduced the initial Class A shareholders' stake to 20%.

4. Thus, because there was no chance that BA-GTE (or a subsequent purchaser) would not exercise its no-cost "option" to raise its stake from 10% to 80% of Genuity, and because prior to the time of this exercise the Class A shareholders would not have any effective rights to the economic returns that might be generated by Genuity, the economic value of the initial Class A shares represented, at most, 20% of the market value of Genuity.[1] In light of this economic reality, BA-GTE conceded that the initial issue of Class A shares would be valued by the public at approximately 20% of Genuity's total value.

5. In its April 28 proposal, BA-GTE has modified its prior proposal in three relevant respects. First, the Class B shares that BA-GTE would hold initially would represent 9.5% of Genuity's putative voting and distribution rights, not the previous 10%. Second, these

[1] The market likely would have assessed initial Class A shares at *less* than 20% of the total value of Genuity. Because the Investor Safeguards prohibit the issuance of extraordinary dividends and because Genuity has told investors that it does not intend to issue ordinary dividends, all of Genuity's earnings would be "banked" by Genuity until BA-GTE was position to receive 80% of their value. This, coupled with the control premium that likely would attach to BA-GTE's Class B shares, would ensure that the market would value initial Class A shares at *less* than 20% of the total value of Genuity.

Class B shares cannot be converted by BA-GTE (or a subsequent purchaser) into Class C shares unless BA-GTE eliminates Section 271 restrictions as to at least 50% of Bell Atlantic's access lines within five years.[2] Third, if BA-GTE should sell Class B shares prior to eliminating Section 271 restrictions for at least 95% of total Bell Atlantic lines, BA-GTE would keep an amount equal to the sum of: (a) all of the sale proceeds that are attributable to a 10% equity interest in Genuity; plus (b) the portion of its remaining sales proceeds that is equivalent to what BA-GTE would have earned on an investment in the S&P 500 Index.

6. By contrast, if BA-GTE should sell its Class B shares after eliminating Section 271 restrictions as to at least 95% of total Bell Atlantic lines, it would keep all the proceeds from the sale of Class B shares.

7. These modifications contained in BA-GTE's April 28 "divestiture" proposal would not have the effect of reducing BA-GTE's economic interest in Genuity to within the 10% threshold required by the Telecommunications Act. First, it is clear that BA-GTE's economic interest in Genuity cannot be 10% or less unless the stake of the initial Class A shareholders amounts to at least 90%. Because the value of this stake may vary depending on the particular evolution of BA-GTE's Class B shares, we must both determine the value of these initial Class A shareholders' stakes under each possible evolution, as well as determine the probability of that evolution occurring. With this information in hand, I can calculate the value (or limits on the value) that the market will place on the initial issue of Class A shares. This market value would be the sum over all three possible evolutions of the value of initial Class A shares conditional on an evolution occurring multiplied by the probability that such an evolution will occur.

[2] Class C shares are equivalent to Class A shares – except if Genuity should issue extra Class A shares prior to the conversion of Class B shares. In that case, the voting rights of Class C shares (but only if they are owned by BA-GTE) are expanded so that BA-GTE's control over Genuity is not diluted.

8. If BA-GTE should fail to eliminate Section 271 restrictions as to 50% of Bell Atlantic's lines within five years, BA-GTE would not be allowed to convert its Class B shares into any interest above 10%.[3] This would result in the initial Class A shares being worth at least 90% of Genuity.[4] But since Bell Atlantic has already eliminated its Section 271 restrictions in New York, a state accounting for over 27% of Bell Atlantic's lines, and since it alleges that it can adapt easily the Operations' Support Systems that it uses in New York to its other states, the probability that an additional 23% of Bell Atlantic's lines will not receive Section 271 relief appears to be exceedingly remote.[5] Call this probability α, where α is a number that lies between 0 and 1, but is likely very small. Mathematically, then, the contribution of this evolution to the overall prior expected value of initial Class A shares is the probability of this evolution occurring multiplied by the value of initial Class A shares if it does occur, or $\alpha \cdot 90.5\%$.

9. If BA-GTE should eliminate Section 271 restrictions as to at least 50% of Bell Atlantic's lines within five years, but fall short of achieving 95% compliance, BA-GTE would be permitted to sell its Class B shares to an entity not subject to Section 271 restrictions, who could (and would) convert them into Class A shares.[6] BA-GTE would allow itself to keep all of these sales proceeds that are attributable to a 10% interest in Genuity, plus the portion of the remaining sales proceeds that is equivalent to the earnings on an investment in the

[3] Curiously, BA-GTE does not explain why or how its initial stake of 9.5% would morph into a stake of 10% if this evolution occurs.

[4] Because BA-GTE proposes its initial stake to be 9.5% of Genuity, I shall assume the complementary Class A share interest to be 90.5%.

[5] This is especially true because the steps necessary to eliminate Section 271 restrictions are under BA-GTE's control. Since this evolution is the least propitious for BA-GTE's interests in Genuity, it is reasonable to expect that BA-GTE will avoid it by obtaining the necessary Section 271 authorizations.

[6] Actually, BA-GTE reserves the right to petition for an additional year of dispensation (which it appears to require the Commission to grant) to achieve 95% compliance. In addition, the proposal holds the door open for even further extensions of this time limit. Thus, the true time limit faced by BA-GTE to achieve 95% compliance appears to be a minimum of six years. That would push effectiveness of this limitation out to over *ten* years beyond the passage of the 1996 Telecommunications Act.

S&P 500 Index. BA-GTE would then assign all remaining sales proceeds to the U. S. Treasury. The first point to note is that BA-GTE's decision on how to split the proceeds from the sale of its Class B shares between it and the U. S. Treasury is irrelevant as to the resulting value of initial Class A shares. Because the new owner of these Class B shares would be entitled to convert them into Class A shares amounting to 80% of all outstanding shares, the value of initial Class A shares can be no more than 20%. If we assume that the probability that BA-GTE will eliminate Section 271 restrictions as to at least 50% but less than 95% of Bell Atlantic's lines within "five" years is β (where β is a number that lies between 0 and 1), the contribution of this evolution to the overall prior expected value of initial Class A shares is $\beta \cdot 20\%$.

10. Finally, if BA-GTE should eliminate Section 271 restrictions as to at least 95% of Bell Atlantic's lines within "five" years, BA-GTE would be entitled to convert its Class B shares into an 80% ownership interest in Genuity. Under this evolution, the value of initial Class A shares would again be 20%. Thus, because the probability with which this evolution occurs must be the complement of the probability that BA-GTE should fail to achieve 95% of lines compliance, that is $1-\alpha-\beta$, the contribution of this evolution to the overall prior expected value of initial Class A shares is $(1-\alpha-\beta)\cdot 20\%$.

11. The overall expected value that the market will place on the initial Class A shares is then the sum of each evolution's contribution, or: $\alpha \cdot 90.5\% + \beta \cdot 20\% + (1-\alpha-\beta)\cdot 20\%$. Rearranging these terms mathematically yields a simpler formulation for the market value: $20\% + \alpha \cdot 70.5\%$.[7] Note two things. The first is that because α is a very small probability, this total market value of Class A shares is almost surely very close to 20%. Second, the only circumstance under which this market value of initial Class A shares could equal 90% of Genuity (and thereby keep BA-GTE's complementary holding within the 10% bound

[7] Note that the probability of the evolution in which 50% to 95% of lines are eliminated from Section 271 requirements versus the probability of the evolution that more than 95% of lines are eliminated from Section 271 requirements has no import on this result. This is simply the logical consequence of the irrelevancy of whether BA-GTE shares its proceeds with the U. S. Treasury or keeps all for itself – initial Class A shares retain only a 20% stake.

required by the Telecommunications Act), is if $\alpha = 0.9929$ (*i.e.*, it is a near absolute certainty that BA-GTE will *not* be able to eliminate 50% of Bell Atlantic's lines from Section 271 restrictions within five years).[8] Thus, my conclusion is that if there is any real possibility at all that BA-GTE will be able to achieve elimination of more than 50% of Bell Atlantic's lines from Section 271 restrictions over the next five years, BA-GTE's April 28th proposal for "disposing" of its stake in Genuity is insufficient to reduce its true economic interest in Genuity to within the 10% limit set by the Telecommunications Act.

[8] This calculation is performed as follows. Set the equation for the market value of initial Class A shares to 90%, and solve for α.

$$20\% + \alpha \cdot 70.5\% = 90\%$$

$$\alpha \cdot 70.5\% = 90\% - 20\%$$

$$\alpha = 70\% / 70.5\%$$

$$= 0.9929$$

DECLARATION

I, Richard N. Clarke, declare under penalty of perjury that the foregoing statements are true and correct.

Richard N. Clarke

May 3, 2000